

FOREIGN ASSISTANCE

Millennium Challenge Compact

Between the

UNITED STATES OF AMERICA

and MOROCCO

Signed at Rabat November 30, 2015

with

Annexes



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966
(80 Stat. 271; 1 U.S.C. 113)—

“ . . . the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

MOROCCO

Foreign Assistance

*Millennium Challenge Compact
signed at Rabat November 30, 2015;
Entered into force June 30, 2017.
With annexes.*

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA

ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE KINGDOM OF MOROCCO

MILLENNIUM CHALLENGE COMPACT

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Article 1. Goal and Objectives | 1 |
| Section 1.1 Compact Goal | 1 |
| Section 1.2 Project Objectives | 1 |
| Article 2. Funding and Resources | 2 |
| Section 2.1 Program Funding | 2 |
| Section 2.2 Compact Implementation Funding | 2 |
| Section 2.3 MCC Funding | 3 |
| Section 2.4 Disbursement | 3 |
| Section 2.5 Interest..... | 3 |
| Section 2.6 Government Resources; Budget | 3 |
| Section 2.7 Limitations on the Use of MCC Funding | 4 |
| Section 2.8 Taxes | 4 |
| Section 2.9 Lower Middle Income Countries | 5 |
| Article 3. Implementation | 5 |
| Section 3.1 Program Implementation Agreement..... | 5 |
| Section 3.2 Government Responsibilities | 5 |
| Section 3.3 Policy Performance | 6 |
| Section 3.4 Accuracy of Information..... | 6 |
| Section 3.5 Implementation Letters | 6 |
| Section 3.6 Procurement and Grants..... | 6 |
| Section 3.7 Records; Accounting; Covered Providers; Access | 7 |
| Section 3.8 Audits; Reviews | 7 |
| Article 4. Communications | 8 |
| Section 4.1 Communications | 8 |
| Section 4.2 Representatives | 9 |
| Section 4.3 Signatures..... | 10 |
| Article 5. Termination; Suspension; Expiration | 10 |
| Section 5.1 Termination; Suspension | 10 |
| Section 5.2 Consequences of Termination, Suspension or Expiration | 11 |
| Section 5.3 Refunds; Violation | 11 |
| Section 5.4 Late Payment Interest | 11 |
| Section 5.5 Survival | 11 |
| Article 6. Compact Annexes; Amendments; Governing Law | 11 |
| Section 6.1 Annexes..... | 11 |
| Section 6.2 Amendments and Modifications | 12 |
| Section 6.3 Inconsistencies | 12 |

| | | |
|-------------|--|----|
| Section 6.4 | Governing Law | 12 |
| Section 6.5 | Additional Instruments..... | 12 |
| Section 6.6 | References to MCC Website..... | 12 |
| Section 6.7 | References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination..... | 12 |
| Section 6.8 | MCC Status | 13 |
| Article 7. | Entry Into Force | 13 |
| Section 7.1 | Domestic Procedures | 13 |
| Section 7.2 | Conditions Precedent to Entry into Force | 13 |
| Section 7.3 | Date of Entry into Force | 14 |
| Section 7.4 | Compact Term | 14 |
| Section 7.5 | Provisional Application | 14 |
| Article 8. | Additional Government Covenants..... | 14 |
| Section 8.1 | Project Covenants | 14 |

Annex I: Program Description

Annex II: Multi-Year Financial Plan Summary

Annex III: Compact Monitoring and Evaluation Summary

Annex IV: Conditions Precedent to Disbursement of Compact Implementation Funding

Annex V: Definitions

MILLENNIUM CHALLENGE COMPACT

PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Kingdom of Morocco (“*Morocco*”), acting through its government (the “*Government*”) (individually, a “*Party*” and collectively, the “*Parties*”). Capitalized terms used in this Compact will have the meanings provided in Annex V.

Recalling that the Parties successfully concluded an initial Millennium Challenge Compact that advanced the progress of Morocco in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with MCC’s core policies and standards;

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Morocco, and that MCC assistance under this Compact supports Morocco’s demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that the Government consulted with the private sector and civil society of Morocco to determine the priorities for the use of MCC assistance, and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Morocco implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the “*Program*”);

The Parties hereby agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Morocco (the “*Compact Goal*”). MCC’s assistance will be provided in a manner that strengthens good governance, economic freedom, and investments in the people of Morocco.

Section 1.2 Project Objectives. The Program consists of the projects described in Annex I (each a “*Project*” and collectively, the “*Projects*”). The objective of each of the Projects (each a “*Project Objective*” and collectively, the “*Project Objectives*”) is to:

(a) increase the employability and employment rate of Moroccans by improving the quality and relevance of, and equitable access to, secondary education and workforce development programs in response to private sector needs (the “*Employability Project Objective*”); and

(b) increase land productivity in Morocco by enabling land markets to better respond to investor demand and by strengthening the enabling environment for investment (the “*Land Project Objective*”).

ARTICLE 2.
FUNDING AND RESOURCES

Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC will grant to the Government, under the terms of this Compact, an amount not to exceed Four Hundred Twenty-Eight Million Six Hundred Forty-Eight Thousand United States Dollars (US\$428,648,000) ("***Program Funding***") for use by the Government to implement the Program. The allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Implementation Funding.

(a) Upon the signing of this Compact, MCC will grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Twenty-One Million Three Hundred Fifty-Two Thousand United States Dollars (US\$21,352,000) ("***Compact Implementation Funding***") under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the "***MCA Act***"), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers, and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design, and other project preparatory studies and activities; and
- (v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact Implementation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact Implementation Funding will be effective, for purposes of Compact Implementation Funding only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of Compact Implementation Funding is subject to satisfaction of the conditions precedent to such Disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact Implementation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact Implementation Funding available under Section 2.2(a) (such excess, the "***Excess CIF Amount***"). In such event, the amount of Compact Implementation Funding granted to the Government under Section 2.2(a)

will be reduced by the Excess CIF Amount, and MCC will have no further obligations with respect to such Excess CIF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CIF Amount as an increase in the Program Funding, and such additional Program Funding will be subject to the terms and conditions of this Compact applicable to Program Funding.

Section 2.3 MCC Funding.

Program Funding and Compact Implementation Funding are collectively referred to in this Compact as “**MCC Funding**,” and includes any refunds or reimbursements of Program Funding or Compact Implementation Funding paid by the Government in accordance with this Compact.

Section 2.4 Disbursement.

In accordance with this Compact and the Program Implementation Agreement, MCC will disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “**Disbursement**”). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements will be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “**Permitted Account**”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government will pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) Consistent with Section 609(b)(2) of the MCA Act, the Government will make a contribution towards meeting the Project Objectives of this Compact. Annex II describes such contribution in more detail. In addition, the Government will provide all funds and other resources, and will take all other actions, that are necessary to carry out the Government’s responsibilities under this Compact.

(b) The Government will use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is accounted for in its annual budget for the duration of the Program.

(c) The Government will not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding will be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government will ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing, including but not limited to the following purposes:

- (a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;
- (b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;
- (c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's *Environmental Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the "**MCC Environmental Guidelines**"); or
- (d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

- (a) Unless the Parties specifically agree otherwise in writing, the Government will ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Morocco, reasonable in amount and imposed on a non-discriminatory basis) ("**Taxes**") of or in Morocco (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Morocco). Specifically, and without limiting the generality of the foregoing, MCC Funding will be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Morocco in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except (1) natural persons who are citizens or permanent residents of Morocco and (2) legal persons formed under the laws of Morocco (but excluding MCA-Morocco II and any other entity formed for the purpose of implementing the Government's obligations hereunder).
- (b) The mechanisms that the Government will use to implement the tax exemption required by Section 2.8(a) for certain principal taxes are set forth in the Program Implementation Agreement (as defined below). Such mechanisms may include exemptions from the payment of

Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Morocco II or to the taxpayer.

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or the Program Implementation Agreement, the Government will refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Morocco within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Morocco II) that such Tax has been paid. Failure to refund such amount within the specified time will result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) No MCC Funding, proceeds thereof or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.8(c).

Section 2.9 Lower Middle Income Countries. Section 606(b) of the MCA Act restricts the amount of assistance that MCC may provide to “lower middle income countries,” a term that is defined in the MCA Act and includes Morocco. To the extent that MCC determines, in MCC’s reasonable discretion, that the amount of Program Funding granted to the Government in this Compact may exceed the limit stipulated in Section 606(b) of the MCA Act, MCC, at any time and from time to time upon written notice to the Government, may reduce the amount of Program Funding, or withhold any Disbursement of Program Funding.

ARTICLE 3. IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties will enter into an agreement providing further detail on the implementation arrangements, fiscal accountability, and disbursement and use of MCC Funding, among other matters (the “**Program Implementation Agreement**” or “**PIA**”); and the Government will implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) With the prior written consent of MCC, the Government may designate an entity, to be established through passage of a law, as the accountable entity to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and their Activities, allocating resources and managing procurements. This designation also includes the right and authority to exercise and perform the Government’s rights and obligations under that certain Grant and Implementation Agreement by and between MCC and the Government dated as of May 5, 2015. Such entity will be referred to herein as “**MCA-Morocco II**,” and will have the authority to bind the Government with regard to all Program activities. The designation contemplated by this Section 3.2(b) will not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government will ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government will take all necessary or appropriate steps to achieve the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government will ensure that the Program is implemented and that the Government carries out its obligations hereunder with due care, efficiency and diligence in conformity with sound technical, financial, and management practices, and in conformity with this Compact, the Program Implementation Agreement, each other Supplemental Agreement and the Program Guidelines.

(f) The Government grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal and regulatory reform commitments identified in Annex I (if any), the Government will seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program. The Government will use such guidance in implementing the Program. The Parties may also issue jointly agreed upon writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements. Such writings are referred to herein as "**Implementation Letters.**"

Section 3.6 Procurement and Grants.

(a) The Government will ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program will be in accordance with MCC's *Program Procurement Guidelines* (the "**MCC Program Procurement Guidelines**"). The MCC Program Procurement Guidelines include the following requirements, among others:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works and services;

(ii) solicitations for goods, works and services must be based upon a clear and accurate description of the goods, works and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, will be paid to procure goods, works and services.

(b) Unless MCC otherwise consents in writing, the Government will ensure that any grant issued in furtherance of the Program (each, a “**Grant**”) is awarded, implemented and managed pursuant to open, fair and competitive procedures administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC will agree upon written procedures to govern the identification of potential Grant recipients, including, without limitation, appropriate eligibility and selection criteria and award procedures. Such agreed procedures will be posted on the MCA-Morocco II website.

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government will maintain, and will use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding and the implementation and results of the Program (“**Compact Records**”). In addition, the Government will furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government will maintain and will use its best efforts to ensure that all Covered Providers maintain Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Morocco. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, will permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“**Inspector General**”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets and activities funded in whole or in part by MCC Funding.

Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government will, on an annual basis (or on a more frequent basis if requested by MCC in writing), conduct, or cause to be conducted, financial audits of all Disbursements of MCC Funding covering the period from signing of this Compact until the following March 31 and covering each twelve-month period thereafter ending March 31, through the end of the Compact

Term. In addition, upon MCC's request, the Government will ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General or a United States-based certified public accounting firm selected in accordance with MCC's *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities* issued and revised from time to time by the Inspector General (the "**Audit Guidelines**"). Audits will be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit must be completed and the audit report delivered to MCC no later than 90 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing.

(b) Audits of Other Entities. The Government will ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider, on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government will use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audit necessitates adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC will have the right to arrange for audits of the Government's use of MCC Funding.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

ARTICLE 4.

COMMUNICATIONS

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise agreed with MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Compact Operations
(with a copy to the Vice President and General Counsel)
875 Fifteenth Street, N.W.
Washington, DC 20005
United States of America
Facsimile: +1 (202) 521-3700
Telephone: +1 (202) 521-3600
Email: VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Government of the Kingdom of Morocco
Attention: Head of Government
Présidence du Gouvernement
Palais Royal, Touarga, Rabat
Royaume du Maroc
Facsimile: +(212) 0537 768 656
Telephone: + (212) 0537 219 400
Email: cg@cg.gov.ma

With a copy to:

Ministry of Economy and Finance
Attention: Minister of Economy and Finance
Bd. Med V. Quartier Administratif Rabat – Chellah
Royaume du Maroc
Facsimile: +(212) 0537 674 081
Telephone: +(212) 0537 677 200
Email: ministre@finances.gov.ma

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, the Government will be represented by the individual holding the position of, or acting as, Minister of Economy and Finance of the Kingdom of Morocco, and MCC will be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a “**Principal Representative**”). Each Party, by written notice to the other Party, may designate one or more additional representatives of the Government or MCC, as appropriate (each, an “**Additional Representative**”) for all purposes relevant to implementation of this Compact except Section 6.2(a). The Government hereby designates the Director General of MCA-Morocco II as an Additional Representative. MCC hereby designates the Deputy Vice President, Department of Compact Operations Africa as an Additional Representative. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact will be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

ARTICLE 5.

TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days' prior written notice. MCC may also terminate this Compact or MCC Funding without cause in part by giving the Government thirty (30) days' prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (as notified to the Government in writing) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) an event or series of events has occurred that makes it probable that any of the Project Objectives will not be achieved during the Compact Term or that the Government will not be able to perform its obligations under this Compact;

(iii) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(iv) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(v) an act has been committed or an omission or an event has occurred that would render Morocco ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Morocco for assistance under the MCA Act;

(vii) Morocco is classified as a Tier 3 country in the United States Department of State's annual Trafficking in Persons Report; and

(viii) the Government or another person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of Section 4.2 of the Program Implementation Agreement will govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated will remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government will not use MCC Funding, proceeds thereof or Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund will continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), interest will be paid on such unpaid amount. Interest will accrue on such unpaid amount at a rate equal to the then current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment will first be credited against interest due, and once the interest due amount is extinguished, then payments will be credited against outstanding principal.

Section 5.5 Survival. The Government's responsibilities under this Section and Sections 2.7, 2.8, 3.2(f), 3.7, 3.8, 5.2, 5.3, 5.4 and 6.4 will survive the expiration, suspension or termination of this Compact, provided that the terms of Section 2.8 shall survive for only 120 days following this Compact's expiration.

ARTICLE 6.

COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to "*Annex*" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement will specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which will enter into force upon signature, modify any Annex to (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II as of the date hereof, (iii) modify the implementation framework described in Annex I, (iv) add, change or delete any indicator, baseline or target or other information set forth in Annex III as of the date hereof in accordance with the MCC M&E Policy, or (v) add, modify or delete any condition precedent described in Annex IV; *provided that*, in each case, any such modification (1) is consistent in all material respects with the Project Objectives, (2) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (3) does not cause the amount of Compact Implementation Funding to exceed the aggregate amount specified in Section 2.2(a), (4) does not reduce the Government's responsibilities or contribution of resources required under Section 2.6(a), and (5) does not extend the Compact Term.

(c) The Parties understand that any modification of any Annex pursuant to this Section 6.2 may be entered into by the Parties without the need for any additional domestic requirements of either Party.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 8, such Articles 1 through 8, as applicable, will prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact will prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such will be governed by the principles of international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language will include activities, obligations and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website, will be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination.

(a) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document will be construed as a reference to such law, regulation, policy, guideline or similar document as it may,

from time to time, be amended, revised, replaced, or extended and will include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five (5) years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to the Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

Section 6.8 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it will not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government will be immune from the jurisdiction of all courts and tribunals of Morocco for any claim or loss arising out of activities or omissions under this Compact.

ARTICLE 7.

ENTRY INTO FORCE

Section 7.1 Domestic Procedures. The Government will proceed in a timely manner to complete all of its domestic requirements for this Compact to enter into force. The Parties understand that this Compact, upon entry into force, will prevail over the domestic laws of Morocco.

Section 7.2 Conditions Precedent to Entry into Force. Before this Compact enters into force:

(a) the Program Implementation Agreement must have been signed by the parties thereto;

(b) The Government must have delivered to MCC:

(i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from *Secrétariat Général du Gouvernement* of Morocco (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;

(iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements necessary for this Compact to enter into force, which MCC may post on its website or otherwise make publicly available; and

(c) MCC shall not have determined, at the time of this Compact's entry into force, that the Government has engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding.

Section 7.3 Date of Entry into Force. This Compact will enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

Section 7.4 Compact Term. This Compact will remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "*Compact Term*").

Section 7.5 Provisional Application. Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties will provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact Implementation Funding, will be made available or disbursed before this Compact enters into force.

ARTICLE 8.

ADDITIONAL GOVERNMENT COVENANTS

Section 8.1 Project Covenants.

(a) Education and Training for Employability Project. With regard to the Education and Training for Employability Project, the Government agrees that:

(i) The Government will safely maintain Project-supported secondary schools before deployment of the new infrastructure and equipment operations and maintenance (*entretien et maintenance*) ("*O&M*") system (as described in Annex I(B)(1)(a)(i)(C));

(ii) The Government will pilot and implement the new infrastructure and equipment O&M system which will be supported through Project-funded technical assistance (as described in Annex I(B)(1)(a)(i)(C));

(iii) The Government will maintain compliance with its commitment, as shall be agreed with MCC, to provide annual progressive contributions for discretionary school budgets to support the School Improvement Plan for each school supported through the Secondary Education Activity;

(iv) The Higher Council on Education, Training, and Scientific Research and the Ministry of National Education and Vocational Training will prepare for, finance, execute, and publicly disseminate the results of two national education assessments (the *Programme National d' Evaluation des Acquis* or PNEA) to be supported through Project-funded technical assistance (as described in Annex I(B)(1)(a)(i)(B)); and

(v) The Higher Council on Education, Training, and Scientific Research and the Ministry of National Education and Vocational Training will prepare for, finance, execute, and publicly disseminate the results of the 2018 round of the Organization for Economic Co-operation and Development's Programme for International Student Assessment (PISA) the preparation of which will be supported through Project-funded technical assistance (as described in Annex I(B)(1)(a)(i)(B)).

(b) Land Productivity Project. With regard to the Land Productivity Project, the Government agrees that:

(i) It will provide adequate funding for the CEILD (as described in Annex I(B)(2)(a)(iii)(A));

(ii) With regard to each demonstration site supported by the Industrial Land Activity:

(A) Based on technical support provided by the Land Productivity Project, the Government will establish a special purpose vehicle to participate in public-private partnership investments in such demonstration site and will make operational a one-stop-shop for such demonstration site for services, including, but not limited to, building permits and certificates of compliance; and

(B) The Government will not grant exemptions or subsidies for the benefit of industrial land projects that may constitute unfair competition with projects initiated by a special purpose vehicle. The Government will take appropriate regulatory measures to this end. The criteria for defining exemptions or subsidies that would constitute unfair competition shall be determined by agreement between the Parties;

(C) The Government will commit to co-financing at least 20 percent of the joint Government and Compact investment in the public-private partnership or infrastructure for such demonstration site; and

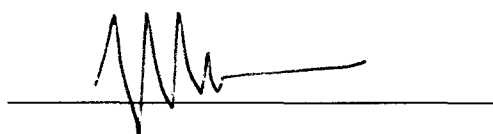
(iii) The Government will take the measures that are necessary to assure that registration taxes and titling fees related to the privatization process are not an obstacle to the completion of this process both within areas targeted by the Land Productivity Project and for privatization which may be subsequently conducted on remaining collective lands in Morocco. Such measures must be satisfactory to MCC and must be taken prior to financing of privatization activities funded by the Rural Land Activity.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

IN WITNESS WHEREOF, each Party, by its duly authorized representative, has signed this Compact.

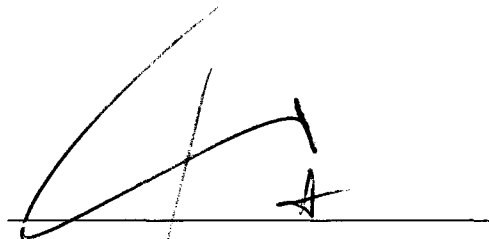
Done at Rabat, Morocco, this 30th day of November, 2015 in the English language. The English language text is the only authentic text of this Compact.

FOR THE UNITED STATES OF
AMERICA, acting through THE
MILLENNIUM CHALLENGE
CORPORATION

A handwritten signature in black ink, consisting of several sharp, vertical strokes followed by a horizontal line, positioned above a solid horizontal line.

Name: Jonathan O. Bloom
Title: Deputy Vice President,
Department of Compact Operations

FOR THE KINGDOM OF MOROCCO

A handwritten signature in black ink, featuring a large, sweeping loop followed by a vertical stroke and a small cross-like mark, positioned above a solid horizontal line.

Name: Mohammed Boussaid
Title: Minister of Economy and Finance

ANNEX I

PROGRAM DESCRIPTION

This Annex I describes the Program that MCC Funding will support in Morocco during the Compact Term.

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

(a) Background.

Morocco was selected as eligible to develop this second Compact in fiscal year 2013 after successful completion of a \$698 million compact which entered into force in September 2008 and was completed in September 2013. In the first compact, the Government collaborated with key stakeholders at the national and regional level to identify country-led priorities for MCC investments and country-specific constraints to poverty reduction through economic growth. As a result, and in accordance with Morocco's national growth strategy, the Government developed a compact with five projects aimed at increasing productivity and improving employment in high-potential sectors.

Morocco was reselected by MCC in fiscal years 2014 and 2015. A constraints analysis conducted by the Government and MCC in partnership with the African Development Bank identified: (i) education quality; (ii) land policy and implementation (with qualitatively different issues for rural areas and industrial land); and (iii) governance, notably labor market regulations, taxes, and the commercial judiciary system, as binding constraints to economic growth and investment. These findings were complemented by social/gender and private sector analyses completed by the Government.

As described below, the Government engaged in a consultative process to inform project focus and design. As a result, the Government, in consultation with MCC, selected the education and land sectors as focus areas, in particular focusing on vocational training, secondary education, rural land and industrial land.

(b) Consultative Process.

Throughout the compact development process, the Government engaged in an inclusive and strategic consultative process to inform project focus and design. During the preliminary analysis phase, national government, local administrations, civil society and private sector in several regions were engaged in multiple stages, and contributed to the identification of binding constraints and an understanding of how these constraints impact different populations and sectors in Morocco.

Consultations continued throughout project definition and design, as the Government worked in partnership with these stakeholders to refine projects and develop compact approaches that integrate partnerships as a core implementing model for the Program. The Private Sector-Driven TVET sub-Activity conducted a call for ideas to solicit proposals directly from government training institutes, private sector companies and associations, and non-governmental organizations, which shaped the parameters of this sub-Activity and validated a strong interest in

program participation from these parties. MCC and the Government also conducted outreach in Washington for US-based entities.

Active consultation to mitigate project risk and maximize program impacts will continue as a critical element of Program execution. Private sector participation is central to the Program, in particular direct partnerships within technical and vocational education and training, and bringing in private management models for industrial land.

2. Description of Program and Beneficiaries.

(a) Program Description.

The Program addresses two key binding constraints, education quality and land productivity, with an approach and methodology that incorporates the core issues of government and public-private coordination. The Program directly addresses the root causes of these binding constraints, which are: (i) secondary education and workforce development systems that produce a supply of workers that do not adequately meet private sector skills demand; and (ii) land policy and implementation that inhibit access to and productive uses of rural and industrial land, thus diminishing investment and the consequent demand for labor.

To that end, the Program is comprised of two Projects: the Education and Training for Employability Project; and the Land Productivity Project.

By improving the policy and institutional environment and creating models to engage the private sector, the two Projects will address both the supply and demand sides of the labor market. Both Projects support the shift from static, state-led systems to competitive, dynamic systems that engage the private sector and respond to market needs. Further, both Projects take a targeted approach to developing and demonstrating new models and to building capacity so that those models can be replicated and scaled-up after the Compact expires.

(b) Beneficiaries.

Over a twenty year period commencing at entry into force, more than 490 thousand households (approximately 2.2 million people) are expected to benefit from the Program, as detailed below:

| Project/Activity | Estimated Beneficiaries |
|----------------------------------|--------------------------------|
| 1.1 Secondary Education | 1,744,100 |
| 1.2 Workforce Development | 275,000 |
| 2.1 Governance | N/A |
| 2.2 Rural Land | 81,500 |
| 2.3 Industrial Land | 96,300 |

B. DESCRIPTION OF PROJECTS

Set forth below is a description of each of the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objective. In addition, specific activities that will be undertaken within each Project (each, an “*Activity*”), including sub-Activities, are also described.

1. Education and Training for Employability Project.

(a) Summary of Project and Activities.

The objective of the Education and Training for Employability Project (the “*Employability Project*”) is stated in Section 1.2 of the Compact. To achieve the Employability Project Objective, MCC Funding will support: direct quality improvements to secondary schools, and improved maintenance and assessment systems; and private sector-driven technical training, the use of innovative, results-based financing mechanisms to promote inclusive employment, and improved system performance management through policy reform and information systems.

(i) Secondary Education Activity.

The Secondary Education Activity aims to demonstrate a new, cost-effective, sustainable, and scalable model of public secondary schools (the “*Integrated School Improvement Model*”) for delivering quality secondary education focused on employability competencies needed for the modern workforce. The Integrated School Improvement Model will be described in Morocco under an agreed upon name. MCC Funding will support:

(A) Integrated School Improvement Model. Piloting the new model in approximately 90 to 110 schools across three regions to be selected through balancing strong economic growth and employment potential, high poverty rates, and including varying levels of education performance, and then recorded in an Implementation Letter. In the event of cost-savings, MCC Funding may be used to expand the sub-Activity to additional schools in the same regions. In order to enable a rigorous impact evaluation, schools participating in the sub-Activity will be chosen at random from a set of eligible schools in the targeted regions. Specific interventions will include targeted regulatory reform, technical assistance, training, infrastructure improvements (which includes rehabilitation and limited expansion), and new equipment. The Integrated School Improvement Model will be launched first in one region, and approximately one year later, will be extended to the other two regions. Before beginning with regions 2 and 3 and annually thereafter, the Government will conduct an interim performance review of the implementation of the Integrated School Improvement Model. This sub-Activity will include the following actions:

- Participatory Diagnostic, School Improvement Plans, and Performance Contracts. The development of school improvement plans (“*School Improvement Plans*”) that will identify local needs and bring local stakeholders together. The School Improvement Plans will establish appropriate solutions to the causes of poor performance and inequitable access at individual schools. School Improvement Plans will include specific and measurable outcomes and targets and will be linked to performance contracts between schools and regional or provincial authorities.

- Integrated Support for Management, Pedagogy, and Infrastructure. Supporting School Improvement Plans by providing funding for an integrated package of interventions to implement the Integrated School Improvement Model. The interventions will include targeted improvements in three key areas: school leadership and management, pedagogical improvements and innovation for student-centered learning, and school infrastructure improvement.
- Regional Project Management, Capacity Building, and Learning. Providing targeted project management technical assistance to regional and provincial education authorities to implement the sub-Activity and facilitate learning and sharing across schools.

(B) Student Assessment and Education Management Information Systems. Development, planning, and implementation of rigorous international and national assessments of student learning, using sex- and cohort-disaggregated data, and the utilization of that data to inform decisions for improvement. The sub-Activity will also enhance the capabilities of Morocco's existing education management information system, moving it towards a complete school management system.

(C) School Infrastructure and Equipment Operations and Maintenance. Development of a new approach to school infrastructure and information technology O&M. Technical assistance will be provided to develop the new O&M system including defining the new roles and responsibilities of local, provincial, and regional actors regarding infrastructure and information technology O&M, and designing the procedures and contracts to be used. Local, provincial, and regional actors in the regions supported through the Integrated School Improvement Model sub-Activity will also receive capacity building in managing the new system. Limited MCC Funding may also be contributed to such O&M contracts.

(ii) Workforce Development Activity.

The Workforce Development Activity aims to increase the employability of Moroccans by: improving the quality and relevance of, and equitable access to, private sector-driven technical and vocational education and training ("**TVET**") programs that respond to private sector needs; providing technical assistance to develop and implement demand-driven TVET sector policy; providing effective employment services to help unemployed or economically inactive women and unemployed, at-risk urban and peri-urban youth obtain quality jobs; and supporting the operationalization of a labor market observatory (the "**Labor Market Observatory**") to provide a broad range of stakeholders with dynamic labor market information to improve decision-making for public policy and private investment. MCC Funding will support the following sub-Activities:

(A) Private Sector-Driven TVET. A Private Sector-Driven TVET grant facility will be used to support selected private sector-driven training centers. Grants will support: (1) establishing new TVET centers run by public-private partnerships ("**PPPs**"), or expanding existing TVET centers currently managed through PPPs; and (2) transforming existing public TVET centers from a traditional government-driven model to a private sector-driven model. Eligibility requirements, and the operational processes for administering this grant facility, will be set forth in an operations manual approved by MCC. Among other requirements,

potential grantees must agree to participate in the Ministry of National Education and Vocational Training's monitoring and evaluation systems. The Government will directly contribute to the Private Sector-Driven TVET grant facility and take steps to ensure that such grant facility will survive the Compact Term, using Government funds. MCC Funding will finance the majority of the first round, and the minority of the second round, of grants issued by the Private Sector-Driven TVET grant facility.

(B) Operationalizing TVET Sector Policy Reform. Technical assistance and limited material support will be provided to the Ministry of National Education and Vocational Training and related agencies to develop and implement private sector demand-driven TVET sector policy.

(C) Results-Based Financing for Inclusive Employment. In order to catalyze a market for improved employment outcomes, results-based financing mechanisms, such as Social Impact Bonds (each a "***Social Impact Bond***") or performance-based contracting, will be used to replicate or expand proven programs that provide integrated job placement services. The services for job placement will target unemployed or economically inactive women and unemployed, at-risk urban and peri-urban youth. MCC Funding will also support the development and implementation of rigorous impact evaluations to test promising labor market interventions, not limited to those interventions funded by this sub-Activity.

(D) Labor Market Observatory. Technical assistance will be provided to strengthen the Labor Market Observatory to ensure coordinated policy and promote joint activities among relevant Government agencies for analyzing the labor market. MCC Funding will also support the development and rollout of an information dissemination platform. Finally, MCC Funding will support the development and implementation of key labor market studies.

(b) Beneficiaries.

The Secondary Education Activity is expected to benefit all graduates of Activity-supported secondary schools and their families over a twenty year period commencing at entry into force. The number of secondary students expected to graduate by year 20 is 376,600. Assuming an average family size of 4.63, the total number of beneficiaries is approximately 1.7 million.

The Workforce Development Activity is expected to benefit all graduates of Activity-supported TVET centers and their families over a twenty year period commencing at entry into force. The number of workforce development students expected to graduate by year 20 is 59,400. Assuming an average family size of 4.63, the total number of beneficiaries is approximately 275,000.

(c) Environmental and Social Mitigation Measures.

The two Activities of the Employability Project have different environmental and social classifications according to MCC's Environmental Guidelines. The school infrastructure improvement component of the Secondary Education Activity has been classified as a "Category B" activity according to the MCC Environmental Guidelines, in that it has been deemed unlikely to result in significant or adverse social or environmental impacts due to its small scale of potential environmental and social effects.

Given the range of small-scale infrastructure interventions planned, a project level programmatic Environmental and Social Impact Assessment (“*ESIA*”) will be carried out for the Project. The programmatic ESIA will assess environmental and social risks, impacts and opportunities for the overall Project as well as those associated with site-specific infrastructure. It is also expected to include a stakeholder engagement framework and a template environmental and social management plan that will be adjusted as necessary to reflect actions and mitigation measures for specific sites. In addition, a resettlement policy framework will be developed for the Compact that will address appropriate elements of the Employability Project. Where resettlement cannot be avoided, site specific resettlement action plans and/or livelihood restoration plans will be developed and implemented on a site by site basis.

The Workforce Development Activity has been classified as a “Category D” activity according to the MCC Environmental Guidelines, as it involves funding of sub-projects through a Private Sector-Driven TVET grant facility. All investments funded under the Workforce Development Activity grant facility will be screened for environmental and social risks and impacts and managed on a case by case basis commensurate with the nature and scale of the grant activities and in accordance with the operational procedures and institutional arrangements of the facility. The manager of the grant facility, either the Government or a contractor, will be required to develop and operate an Environmental and Social Management System (“*ESMS*”) with procedures that are consistent with IFC Performance Standard 1 and commensurate with the level of environmental and social risks in the portfolio of the grant facility. Depending on site specific circumstances, the manager of the grant facility may be required to engage a third party environmental and social compliance monitor to conduct performance audits.

MCC Funding for this Activity is also expected to include support and technical assistance to the manager of the grant facility to establish appropriate systems and processes to effectively manage and oversee the grant making and implementation process.

(d) Social Inclusion and Gender Integration.

The Employability Project is designed to achieve the Employability Project Objective in a manner that promotes equitable outcomes for both girls and boys, and that reduces social, gender and geographically-based inequalities.

Through the Secondary Education Activity, School Improvement Plans at Activity-supported schools will be developed through an inclusive and participatory analysis of the local causes of poor learning outcomes and dropout rates. Activity interventions will promote social and gender inclusion through school management, teacher training, mentoring and other interventions that incorporate gender-responsive approaches and counteract stereotypes. MCC Funding will support school infrastructure improvements that will incorporate gender-responsive and safe school design elements.

To address the significant gender gap in the formal TVET sector and promote women’s labor force participation, the Workforce Development Activity will set specific social and gender eligibility requirements for receiving grants and will include job-placement support for unemployed and economically inactive women and unemployed at-risk youth. Support will also be provided to build capacity within the Labor Market Observatory to collect, analyze and strategically use data that can promote women’s employment. The Operationalizing TVET Sector Policy Reform sub-Activity will provide technical assistance to the Government to

develop and strengthen gender responsive and socially inclusive policies and practices in the TVET sector.

(e) Donor Coordination.

MCC and the Government engaged with a wide group of bilateral and multilateral donors investing in the education and training sector in Morocco to obtain lessons learned on prior sector engagement, as well as in defining appropriate sub-sector focus. The Project builds on pilots and programs sponsored by the World Bank, the African Development Bank, the Agence Française de Développement, the European Union and the Department of Foreign Affairs, Trade and Development Canada.

(f) USAID.

MCC worked closely with the United States Agency for International Development (“**USAID**”) during Compact development, building upon the experience and lessons of the recent USAID middle school-level teacher education and life/soft skills activity in the development of the Secondary Education Activity. USAID recently exited the secondary education space and is implementing a program focused on early grade (1-4) reading in Arabic language as well as activities in career development at the tertiary level. The Parties plan to continue to collaborate with USAID during implementation, given the complementary investments in the education sector, including carrying out a joint capacity assessment of the Ministry of National Education and Vocational Training.

(g) Sustainability.

The Project will support the creation of policies, systems, procedures, and financing mechanisms that will endure beyond the life of this Compact. The Secondary Education Activity will pilot an Integrated School Improvement Model that will demonstrate how to achieve cost-effective, quality education, and a plan will be developed during the Compact for expansion of this model post-Compact. The Private Sector-Driven TVET grant facility within the Workforce Development Activity is intended and designed to continue functioning after the Compact. Government co-financing during the Compact will continue afterward and enable the grant facility to continue. Independent interim evaluations during the Compact along with ex-post impact and performance evaluations will inform and provide the justification for sustaining and scaling up Compact investments by the Government post-Compact. The Government and MCC will collaborate to ensure that interventions aimed at mainstreaming social and gender inclusion will include mechanisms that promote sustainability beyond the Compact Term.

(h) Policy, Legal and Regulatory Reforms.

In addition to Section 8.1(a), the Parties have identified the following policy, legal, regulatory and institutional reforms and actions that the Government will pursue in support of the Project:

(i) The Government will, in form and substance satisfactory to MCC, enable autonomous school management for Activity-supported schools. MCC envisions that such autonomy will include: (A) enhanced transparency and improved representativeness of school management committees; (B) permission for each school to manage a discretionary budget to implement its School Improvement Plan; and (C) the ability of schools to enter into partnership agreements.

(ii) The Government will pass a law reforming continuing education and training (*formation continue*) including its financing and management.

(iii) The Ministry of National Education and Vocational Training will conduct an annual TVET sector policy and performance review to: (A) discuss and publish sector-wide monitoring and evaluation reports; (B) discuss performance and lessons learned from Activity implementation; and (C) draw policy and financing recommendations.

2. Land Productivity Project.

(a) Summary of Project and Activities.

The objective of the Land Productivity Project (the “***Land Project***”) is stated in Section 1.2 of the Compact. To achieve the Land Project Objective, MCC Funding will support the following Activities:

(i) Governance Activity.

Building on work already undertaken by the Government, the Governance Activity aims to support the development and implementation of the Land Strategy to address governance and land market constraints to investment and productivity. The Land Strategy will be market-oriented, supporting increased productivity of private as well as public land. MCC Funding will support:

(A) Strategy Development and Implementation. Technical assistance to develop a long-term land productivity strategy (the “***Land Strategy***”) and a roadmap for implementation. Once the Land Strategy and roadmap are in place, MCC Funding will support implementation of selected elements of the roadmap, based on criteria to be agreed between MCC and the Government.

(B) Strategic Coordination. The organizational design and establishment of a coordination mechanism, which, once established, will oversee and monitor the implementation of the Land Strategy and roadmap post-Compact (the “***Land Coordination Mechanism***”).

(ii) Rural Land Activity.

The Rural Land Activity aims to increase rural productivity by developing and piloting more efficient and inclusive procedures for privatization¹ of collective land that can be implemented within three years or less, and can be replicated by the Government in the privatization of the remaining arable collective land in Morocco. MCC Funding will support the development of these improved procedures and their application, starting with the privatization and titling of up to 46,000 hectares of collective land in Morocco’s Gharb region. MCC Funding will also support development and testing of tools to address other land-related root causes of low productivity, including co-ownership and minimum parcel sizes.

¹ In this context, privatization refers to a process known as “*melkisation*,” which is the conversion of collective land to private ownership.

(iii) Industrial Land Activity.

The Industrial Land Activity aims to transform the way the Government brings industrial land to market, from a state- to a market-driven approach through the development of a new model for industrial zone development. By developing Government expertise and using PPPs for industrial land development, the Activity seeks to foster private sector participation in the development and management of industrial zones to ensure that such development and management responds to private sector demand and meets the needs of enterprises in terms of location, land offering, infrastructure and services. MCC Funding will support:

(A) Center of Expertise for Industrial Land Development. Creation of a Center of Expertise for Industrial Land Development (“**CEILD**”), which will lead the development and institutionalization of a new market-driven model for industrial zone development in Morocco that will stimulate investment and increased productivity, as well as involvement of the private sector in the rehabilitation and ongoing management and maintenance of industrial zones. MCC Funding will also support the study of sustainability after the Compact, including the institutional location, of the CEILD (the “**CEILD Study**”). The Government will provide office space, information technology equipment, and administrative staff for the CEILD.

(B) Industrial Zone Demonstration Project and Transaction Financing. The testing of the market-driven model by preparing and bringing to market demonstration projects in approximately four sites, some revitalized and some newly developed, including providing financing to the extent necessary to enhance economic viability and to attract private investment. In addition, the Industrial Land Activity will establish a facility to finance market-driven industrial zones to be identified through an open, competitive call for projects that will be selected according to criteria set forth in an operations manual to be agreed between MCC and the Government.

(b) Beneficiaries.

The Rural Land Activity beneficiaries are defined as all immediate family members of owners who receive a title to converted collective land as a result of the Rural Land Activity. The total number of beneficiaries is approximately 81,500.

Beneficiaries for the Industrial Land Activity are defined as all employees, existing or potential, of the targeted industrial zones, and all members of their immediate families. The total number of beneficiaries is approximately 96,300.

(c) Environmental and Social Mitigation Measures.

The Rural Land Activity is categorized as a “Category B” activity according to the MCC Environmental Guidelines, because the environmental and social risks and impacts are expected to be relatively limited and can be readily addressed through mitigation measures. ESIA and management planning will be carried out for the Rural Land Activity per the MCC Environmental Guidelines. While the assessment will largely focus on social risks and impacts, it will also consider potential environmental impacts such as those associated with agricultural intensification. As appropriate, a livelihood restoration plan will be developed in conjunction with the environmental and social impact assessment in order to identify and compensate for any project-related economic displacement.

The Industrial Land Activity is categorized as a “Category A” activity according to the MCC Environmental Guidelines, due to potentially significant adverse environmental and social risks and impacts that are diverse, sensitive, and not readily reversible, with an area of influence that potentially extends beyond the sites. Environmental and social impact assessments and management plans will be required for each new or revitalized site.

The resettlement policy framework developed for the Compact will address appropriate elements of the Land Project, with site-specific resettlement action plans and/or livelihood restoration plans developed for each revitalization site, as appropriate. A stakeholder engagement plan will also be developed at the activity level.

The facility for market-driven industrial zones included in the Industrial Land Activity is categorized as a “Category D” activity. Consistent with the MCC Environmental Guidelines, environmental and social requirements for the facility for market-driven industrial zones will be commensurate with the nature and scale of the intermediary funding activity and will be set forth in the operations manual for such facility. The manager of the facility will be required to develop and operate an ESMS with procedures that are consistent with IFC Performance Standard 1 and commensurate with the level of environmental and social risks related to the development of industrial zones. Depending on site specific circumstances, the private developer may be required to engage a third party environmental and social compliance monitor to conduct performance audits.

In addition, the Industrial Land Activity aims to improve zone planning and management, which will include improved waste and wastewater management, and the promotion of resource efficiency measures associated with cost-effective, cleaner production interventions.

(d) Social Inclusion and Gender Integration.

Social inclusion and gender integration within the Rural Land Activity includes the development of a more inclusive process for conversion of collective land that protects all rights holders and engages historically disadvantaged groups such as women. The Activity will include targeted communications, inclusive consultations and outreach, legal literacy and assistance, and gender responsive awareness campaigns. To help facilitate women’s access to land and benefits from privatization, the Activity may also explore the feasibility of setting aside land for women’s cooperatives or associations, and linking women to existing support services for household gardening activities.

Social inclusion and gender integration within the Industrial Land Activity includes dissemination of guidance on improved labor practices, promoting women’s workforce participation, exploring social services that promote employee productivity, supporting approaches to assist small and medium enterprises, and providing technical support to ensure preparation of technical and financial documents that reflect best practices on social, gender, and environmental approaches. The implementation modalities for providing these measures will be adapted to the specific context and needs of Morocco, based on international best practice.

(e) Donor Coordination.

MCC and the Government engaged with donors who have invested in the land sector to build on prior experience and to inform project design and focus, including input from the World Bank, the European Bank for Reconstruction and Development, the African Development Bank, the

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and the Agence Française de Développement. The Land Project benefited from several World Bank studies, including a 2007 land markets study and a 2009 report on industrial land markets in the Middle East and North Africa region. The Project will seek to continue to involve these and other donors as appropriate. The Industrial Land Activity builds on and incorporates elements of successful models for industrial land development in Morocco.

(f) USAID.

USAID is not currently funding any programs in Morocco specifically targeting the land sector. Throughout the implementation of the Compact, MCC will coordinate with USAID on any land and governance related activities supported by USAID.

(g) Sustainability.

The Project will support the creation of policies, systems, procedures, and financing mechanisms that will endure beyond the life of this Compact. The Land Coordination Mechanism and the CEILD are intended to be sustained beyond the end of the Compact and to carry forward Compact-supported reforms. The Land Strategy developed as part of the Governance Activity will be accompanied by an action plan for addressing key themes and findings of the Land Strategy that will be implemented through MCC Funding and Government support. The Rural Land Activity is expected to design and demonstrate procedures for conversion of collective lands to private ownership in a way that such procedures can be replicated elsewhere in Morocco. Many of the elements of the new industrial development model are expected to be reflected in a new industrial law to institutionalize these approaches to be used in the future. The industrial zone demonstration projects supported by the Project will be based on PPP transactions designed to assure the long-term management and maintenance of the targeted industrial zones well into the future. The Government and MCC will collaborate to ensure that interventions aimed at mainstreaming social and gender inclusion will include mechanisms that promote sustainability beyond the Compact Term.

(h) Policy, Legal and Regulatory Reforms.

In addition to Section 8.1(b), the Parties have identified the following policy, legal, regulatory and institutional reforms and actions that the Government will pursue in support of the Project:

(i) The Government will create the CEILD as part of MCA-Morocco II. Prior to the end of the Compact, the Government will take the necessary measures to ensure sustainability of the CEILD according to the results of the CEILD Study.

(ii) The Government will formalize procedures for the conversion of collective land to private land that are acceptable to MCC and can be completed in three years or less.

C. IMPLEMENTATION FRAMEWORK

1. MCA-Morocco II.

(a) Structure and Establishment.

The Government, through passage of a law, will create an independent agency (an “*établissement public*”), referred to herein as MCA-Morocco II, which will be authorized to act on behalf of the Government in order to manage and oversee the implementation of this Compact and the Program. MCA-Morocco II will have full decision-making autonomy, including, *inter alia*, the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish an account in a financial institution in the name of MCA-Morocco II and hold MCC Funding in that account, (iv) expend MCC Funding, (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents, and (vi) competitively engage one or more auditors to conduct audits of its accounts. The governance of MCA-Morocco II will be set forth in more detail in the PIA, the constitutive documents and internal regulations of MCA-Morocco II (“*Internal Regulations*”) or as otherwise agreed in writing by the Parties. The Internal Regulations will be in accordance with MCC’s Guidelines for Accountable Entities and Implementation Structures, published on the MCC Website.

MCA-Morocco II will be administered, managed and supported by the following bodies: a board of directors (the “*Board of Directors*”); a management unit (the “*Management Unit*”); and one or more Stakeholders Committees. MCA-Morocco II will use various Government entities to help implement specific Projects. The CEILD will be created as part of MCA-Morocco II, as referenced above.

(b) Board of Directors.

The Board of Directors will have ultimate responsibility for the oversight, direction, and decisions of MCA-Morocco II, as well as the overall implementation of the Compact. The Board of Directors will be comprised of eleven voting members. As of the date hereof, the voting members of the Board of Directors will include the following representatives:

- (i) The Head of Government;
- (ii) A representative from the ministry responsible for education;
- (iii) A representative from the ministry responsible for technical and vocational education and training;
- (iv) A representative from the ministry responsible for agriculture;
- (v) A representative from the ministry responsible for the interior;
- (vi) A representative from the ministry responsible for commerce and industry;
- (vii) A representative from the ministry responsible for finance;
- (viii) A representative from the ministry responsible for labor;

- (ix) A representative for the private sector; and
- (x) Two representatives for civil society.

The number of voting members and their identity may be changed through amendments to the Internal Regulations with MCC's approval. The members of the Board of Directors may be represented by alternates appointed pursuant to MCA-Morocco II's Internal Regulations. In addition, MCA-Morocco II's Director General and MCC's Resident Country Director in Morocco will serve as non-voting members of the Board.

The process of selecting the Board members will be further stipulated in the Internal Regulations and will be consistent with the MCC's Guidelines for Accountable Entities and Implementation Structures.

(c) Management Unit.

The Management Unit, as defined below, will report to the Board of Directors and will have principal responsibility for the day-to-day operations and management of the Compact.

The Management Unit will be led by a Director General and will be composed of the directors and officers as agreed between the Parties and consistent with the MCC's Guidelines for Accountable Entities and Implementation Structures. The Management Unit will be selected after an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent), and the appointment of each member of the Management Unit is subject to MCC approval. The officers will be supported by appropriate additional staff to enable the Management Unit to execute its roles and responsibilities. Upon written notice by MCC to MCA-Morocco II, the selection of candidates for additional positions within MCA-Morocco II will be subject to MCC approval.

(d) Stakeholders' Committee(s).

(i) Composition. MCA-Morocco II will be assisted by one or more stakeholders' committees (each a "***Stakeholders' Committee***"), which will be created according to a process in accordance with MCC's Guidelines for Accountable Entities and Implementation Structures, as approved by MCC. Without limiting the foregoing, as required in MCC's Guidelines for Accountable Entities and Implementation Structures, each Stakeholders' Committee will be composed of *inter alia*, program beneficiaries, regional and local government representatives, entities with an interest or involvement in the implementation of the Compact, key NGOs, and any applicable civil society and private sector representatives.

(ii) Roles and Responsibilities. The Stakeholders' Committee(s) will be responsible for continuing the consultative process throughout implementation of the Compact. While the Stakeholders' Committee(s) will not have any decision-making authority, the Stakeholders' Committee(s) will be responsible for reviewing, at the request of the Board or the Management Unit, certain reports, agreements, and documents related to the implementation of the Compact in order to provide advice and input to MCA-Morocco II regarding the implementation of the Program.

2. Implementing Entities.

Subject to the terms and conditions of this Compact, the Program Implementation Agreement and any other related agreement entered into in connection with this Compact, the Government may engage one or more entities of the Government to implement and carry out any Project or Activity (or a component thereof) under this Compact (each, an ***“Implementing Entity”***). The appointment of any Implementing Entity will be subject to review and approval by MCC. The Government will ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an ***“Implementing Entity Agreement”***).

3. Fiscal Agent.

Unless MCC agrees otherwise in writing, the Government will engage a fiscal agent (a ***“Fiscal Agent”***), which will be responsible for assisting the Government with its fiscal management and assuring appropriate fiscal accountability of MCC Funding, and whose duties will include those set forth in the Program Implementation Agreement and such agreement as the Government enters into with the Fiscal Agent, which agreement will be in form and substance satisfactory to MCC.

4. Procurement Agent.

Unless MCC agrees otherwise in writing, the Government will engage one or more procurement agents (collectively, the ***“Procurement Agent”***) to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of the Procurement Agent will be set forth in the Program Implementation Agreement or such agreement as the Government enters into with the Procurement Agent, which agreement will be in form and substance satisfactory to MCC. The Procurement Agent will adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan adopted by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing.

ANNEX II

MULTI-YEAR FINANCIAL PLAN SUMMARY

This Annex II summarizes the Multi-Year Financial Plan for the Program.

A. General.

A multi-year financial plan summary ("*Multi-Year Financial Plan Summary*") is attached hereto as Exhibit A to this Annex II. By such time as specified in the Program Implementation Agreement, the Government will adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Government's contribution of funds and resources, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project, projected both on a commitment and cash requirement basis.

B. Government LMIC Contribution.

During the Compact Term, the Government will make contributions, relative to its national budget and taking into account prevailing economic conditions, as are necessary to carry out the Government's responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions (including obligations of Morocco on any debt incurred toward meeting these contribution obligations). In connection with this obligation, the Government will develop a contribution plan set forth in the Program Implementation Agreement to complement MCC Funding through allocations including but not limited to: 1. a progressive increase in its funding for the Private Sector-Driven TVET grant facility such that the Government will fund a minority portion of the first round and the majority portion of the second round for the Private Sector-Driven TVET grant facility; 2. demonstration projects for the Industrial Land Activity; and 3. support for operations and maintenance and discretionary funding for the Secondary Education Activity. The Government commits to a minimum contribution of \$67,500,000 over the Compact Term. Such contribution will be in addition to the Government's spending allocated toward such Project Objectives in its budget for the year immediately preceding the establishment of this Compact. The Government's contribution will be subject to any legal requirements in Morocco for the budgeting and appropriation of such contribution, including approval of the Government's annual budget by its legislature. The Parties may set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding. During implementation of the Program, the Government's contributions may be modified or new contributions added with MCC approval, provided that the modified or new contributions continue to advance the Project Objectives.

EXHIBIT A TO ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

| (US\$) | | | | | | | |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|-------------------|--------------------|
| Component | CIF | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
| 1. Education and Training for Employability Project | | | | | | | |
| 1.1 Secondary Education Activity | 2,500,000 | 12,294,000 | 29,014,000 | 29,964,000 | 29,114,000 | 9,694,000 | 112,580,000 |
| 1.2 Workforce Development Activity | 2,150,000 | 5,450,000 | 19,600,000 | 37,900,000 | 30,850,000 | 11,470,000 | 107,420,000 |
| Subtotal | 4,650,000 | 17,744,000 | 48,614,000 | 67,864,000 | 59,964,000 | 21,164,000 | 220,000,000 |
| 2. Land Productivity Project | | | | | | | |
| 2.1 Governance Activity | 1,888,000 | 1,672,000 | 432,000 | 1,289,000 | 2,322,000 | 2,897,000 | 10,500,000 |
| 2.2 Rural Land Activity | 0 | 3,136,000 | 7,578,000 | 6,625,000 | 9,570,000 | 6,091,000 | 33,000,000 |
| 2.3 Industrial Land Activity | 7,866,000 | 7,689,000 | 11,099,000 | 22,201,000 | 33,967,000 | 44,178,000 | 127,000,000 |
| Subtotal | 9,754,000 | 12,497,000 | 19,109,000 | 30,115,000 | 45,859,000 | 53,166,000 | 170,500,000 |
| 3. Monitoring & Evaluation | | | | | | | |
| 3.1 Monitoring and Evaluation (M&E) | 300,000 | 920,000 | 1,120,000 | 2,170,000 | 2,870,000 | 2,620,000 | 10,000,000 |
| Subtotal | 300,000 | 920,000 | 1,120,000 | 2,170,000 | 2,870,000 | 2,620,000 | 10,000,000 |
| 4. Program Administration and Oversight | | | | | | | |
| 4.1 MCA-Morocco II Program Administration | 3,973,000 | 5,813,000 | 5,813,000 | 5,813,000 | 5,813,000 | 7,720,000 | 34,945,000 |
| 4.2 Fiscal and Procurement Agents | 2,600,000 | 2,000,000 | 2,070,000 | 2,070,000 | 2,070,000 | 3,070,000 | 13,880,000 |
| 4.3 Audits and Compliance | 75,000 | 100,000 | 100,000 | 125,000 | 125,000 | 150,000 | 675,000 |
| Subtotal | 6,648,000 | 7,913,000 | 7,983,000 | 8,008,000 | 8,008,000 | 10,940,000 | 49,500,000 |
| TOTAL MCC FUNDING | 21,352,000 | 39,074,000 | 76,826,000 | 108,157,000 | 116,701,000 | 87,890,000 | 450,000,000 |
| Minimum Government Contribution | | | | | | | 67,500,000 |

ANNEX III

COMPACT MONITORING AND EVALUATION SUMMARY

This Annex III summarizes the monitoring and evaluation plan for this Compact ("**M&E Plan**"). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, will be agreed to by MCC and the Government in accordance with MCC's *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* (the "**MCC M&E Policy**"). In addition, the M&E Plan may be modified from time to time as described in the MCC M&E Policy without requiring an amendment to this Annex III. The M&E Plan will be posted publicly on the MCC Website and updated as necessary.

1. Objective.

MCC and the Government will formulate and agree to, and the Government will implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Morocco II will (i) monitor to determine whether the Projects are on track to achieve their intended results ("**Monitoring Component**"), and (ii) evaluate to assess implementation strategies, provide lessons learned, determine cost effectiveness and estimate the impact of Compact interventions ("**Evaluation Component**"). The M&E Plan will summarize all indicators that must be reported to MCC on a regular basis, and describe any complementary data to be collected for evaluation of the Program. The M&E Plan will also include any monitoring and evaluation requirements that MCA-Morocco II must meet in order to receive Disbursements, and will serve as a communication tool so that MCA-Morocco II staff and other stakeholders clearly understand the objectives and targets MCA-Morocco II is responsible for achieving. The results of M&E activities, measured by monitoring data and independent evaluations, will be made publicly available on the website of MCA-Morocco II and on the MCC Website.

2. Program Logic.

The M&E Plan will summarize the clearly defined Compact-level logic model which illustrates how the Projects, Activities, and sub-Activities (as necessary) contribute to the Compact Goal, and Project Objectives. This Compact-level logic model will be complemented by lower level logic models at the Project, Activity, and/or sub-Activity levels (as necessary) depending on Compact design and implementation. All logic models will clearly summarize the outputs, outcomes, and goals expected to result from the Program. A description and visual representation of the logic underlying each Activity is included below:

(a) Education and Training for Employability.

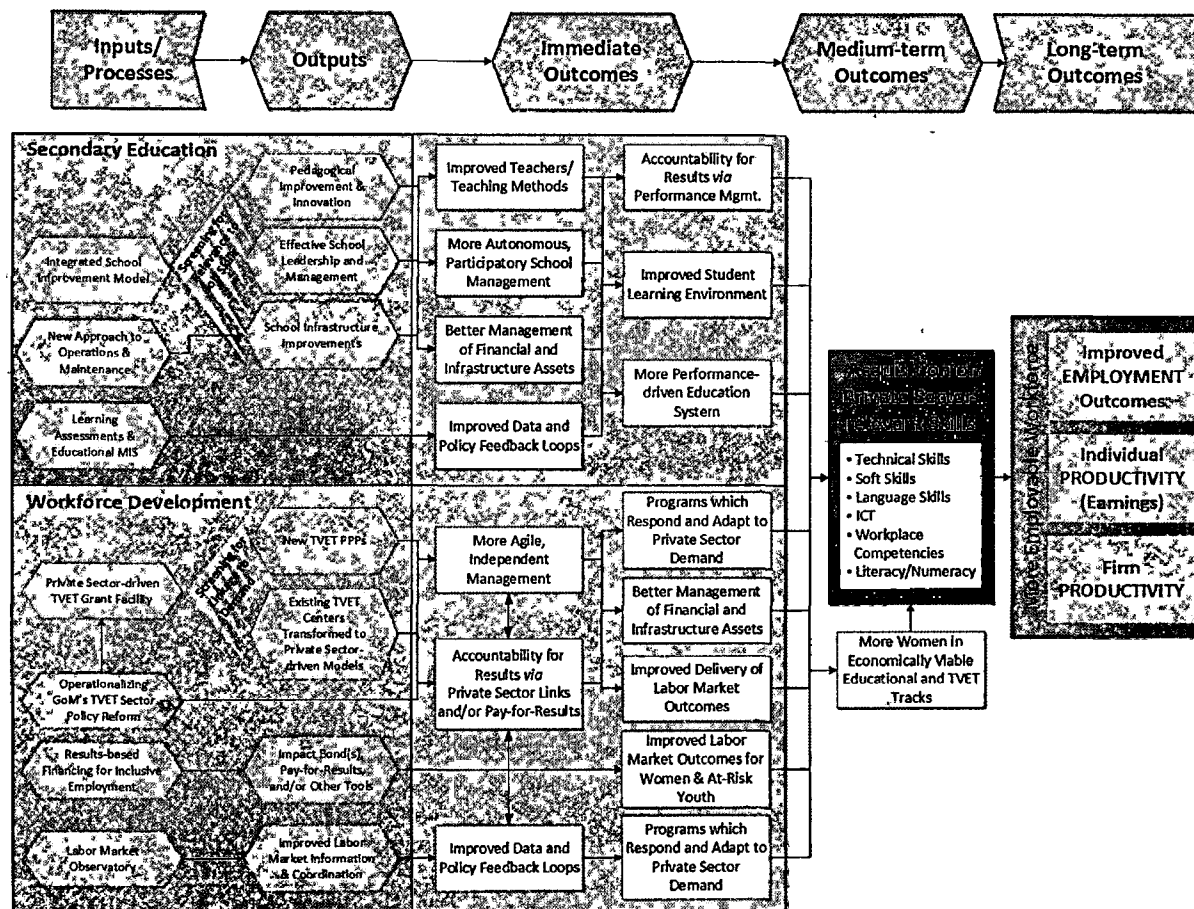
(i) Secondary Education. The underlying cause of weak human capital in Morocco is a secondary education system with pedagogy insufficiently aligned with best practices, aging infrastructure, and lack of incentives for teachers and administrators to focus on student learning and the skills demanded by the labor market. The Activity will focus on (A) pedagogical improvement and innovation for improved teacher effectiveness; (B) improved school leadership and management for more accountability through performance contracts, and more autonomous school management; and (C) school infrastructure improvements for a more conducive student learning environment. The Activity will also pilot new approaches to operations and maintenance of secondary school infrastructure. Additionally, the Activity will

invest in improved student learning assessments and an enhanced education management information system. Together this Activity is expected to improve student educational achievement and learning outcomes, including skills required by employers, leading to better employment outcomes and household incomes in Morocco.

(ii) Workforce Development. The Moroccan workforce development system is generally supply-side oriented and misaligned with private sector skills needs. There are few incentives for partnership between training providers and businesses and little labor market data to guide planning and career guidance for the emergent workforce. The Activity will stimulate private sector provision of skills training for growth sectors through a competitive grants facility with both existing and new providers. The Activity will provide technical assistance to the Government to operationalize its TVET sector policy reform as well as generating and using various student assessments more extensively and effectively. Results-based financing mechanisms will incentivize improved performance and innovation in job placement services for targeted populations. A labor market observatory will be implemented to help amplify labor market signals and enable analysis for decision-making. As a result of Compact investments, it is expected that the Moroccan workforce development system will become more agile and demand-responsive, and thus better able to provide skills leading to jobs, especially for girls and young women.

Figure 1.1: Education & Training for Employability Program Logic

Education & Training For Employability



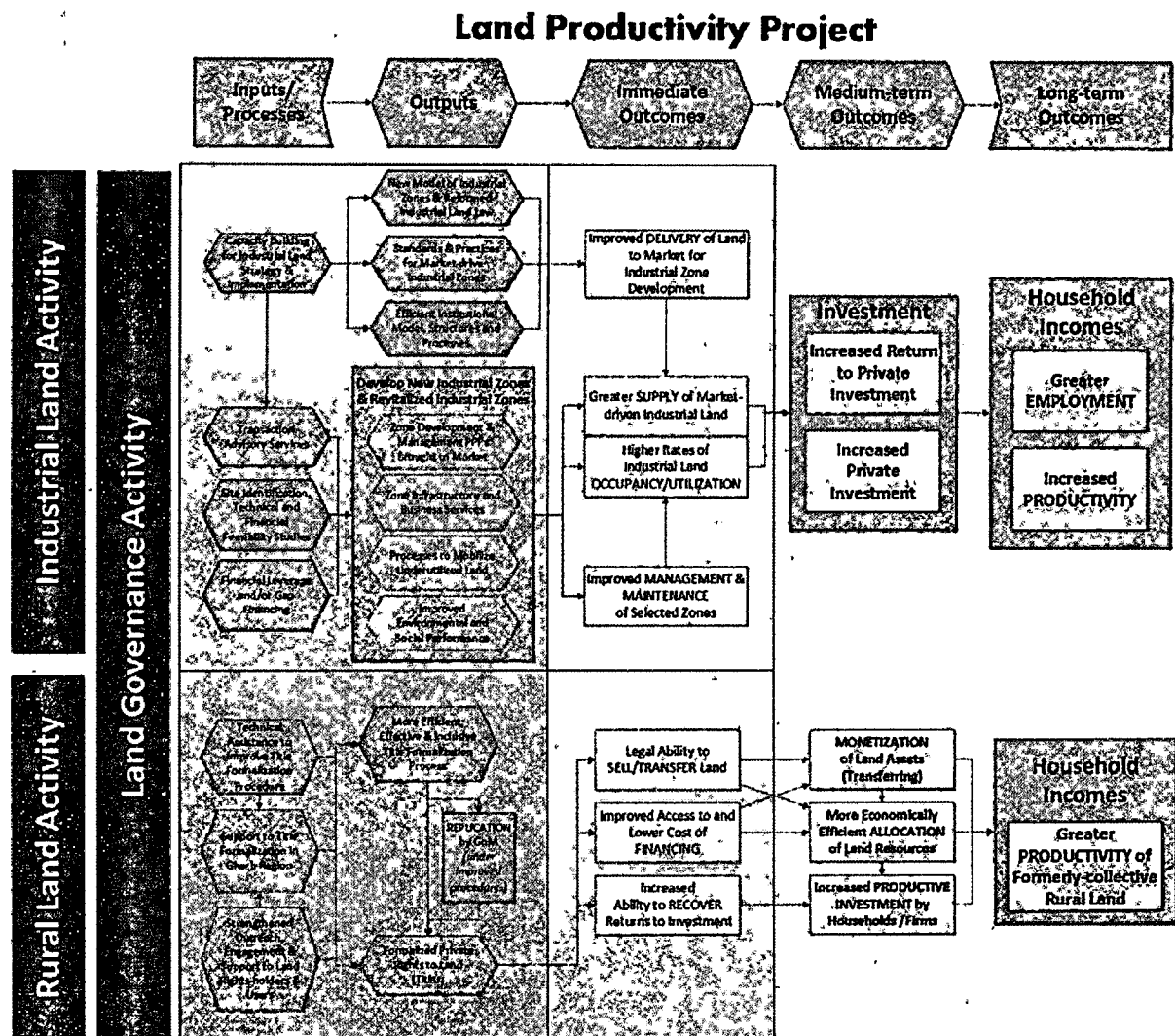
(b) Land Productivity.

(i) Land Governance. The problems related to land governance are caused, to some extent, by the lack of a national land governance strategy, policy or sector-wide plan, poor coordination among government actors, and a legal-regulatory framework that is outdated or applied inconsistently. The proposed Activity will address these root causes by conducting an inventory of existing laws and necessary ongoing reforms, supporting a national land sector strategic dialogue, creating a national land policy and action plan, and creating a Land Coordination Mechanism to coordinate land-related policy development and implementation.

(ii) Rural Land. The contributing causes to low agricultural productivity on collective lands include the obstacles to carrying out legal land transactions, the risks associated with investing in land over which the user holds tenuous rights, and inefficient and ineffective government policies to convert collective land to private ownership. Widespread rural land problems of co-ownership and fragmentation also contribute to low productivity. In improving procedures to convert collective land to private ownership and applying them in demonstration areas, the Activity will allow land transactions to occur, including the use of land as collateral, and will create incentives to invest through the formalization of secure rights. Further, the Activity will attempt to develop tools to address the problems of co-ownership and land fragmentation, which have the potential to be applied throughout Morocco, including on land that has always been held in private ownership.

(iii) Industrial Land. The causes of the industrial land problem are myriad, including that industrial development is not demand-driven, there is not a level playing field for private developers, zones do not have systems in place for management and maintenance, returns on industrial development are low, and contractual requirements for the development of vacant land in existing zones are either poorly drafted or unenforced. The Industrial Land Activity will address these issues by putting in place a sector strategy that will carry out national demand studies; creating a more level playing field by requiring that the Government not engage in competitive zone development near demonstration sites; selecting private partners that will put in place systems for operations and maintenance; providing viability gap financing to make investments commercially viable; and strengthening contractual provisions and creating incentives to promote land recuperation and utilization.

Figure 1.2: Land Productivity Program Logic



2.1 Projected Economic Benefits and Beneficiaries.

(a) Economic Rates of Return

(i) Education and Training for Employability Project.

(A) Secondary Education Activity.

The current economic analysis for the Secondary Education Activity foresees three distinct benefit streams supporting the investment:

- Improved test scores and higher future earnings due to improvements in classroom pedagogy;
- Improved test scores and higher future earnings resulting from the implementation of school based management; and
- Lower dropout rates due to infrastructure improvements.

The estimated economic rate of return for this investment ranges from 12.4 percent to 15.1 percent.

(B) Workforce Development Activity. The current economic analysis for the Workforce Development Activity foresees the following benefit streams supporting the investment: higher future earnings and higher probabilities of employment due to improvements in the quality and relevance of existing and new training centers.

The estimated economic rate of return for this investment is 13.2 percent.

(ii) Land Productivity Project.

(A) Industrial Land Activity. For the Industrial Land Activity, the economic analysis measures the increase in value added from bringing unutilized land into industrial use as a result of the intervention. The value added comes from both bringing unused land into industrial use in existing industrial zones, and creating new industrial zones.

Because of the preliminary nature of current cost estimates, the estimated economic rate of return for this investment ranges from 13.4 percent to 16.7 percent.

(B) Rural Land Activity. The benefit stream for the Rural Land Activity is based on the assumption that improved land tenure security will lead to increased investments by farmers upon conversion of their land from collective to privately-owned. The economic rate of return compares the productivity of agricultural practices on collective land to that of owners of private lands.

The estimated economic rate of return for this investment is 23.0 percent.

(b) Beneficiary Analysis.

The M&E Plan will also define in detail the persons or entities expected to benefit from the Compact. Beneficiary analysis is an extension of economic rate of return analysis that seeks to disaggregate the total increase in income to determine specifically which segments of society will benefit from the Compact Projects and Activities. Where relevant, the beneficiary analysis will disaggregate benefits by income category, sex, and geographic location. MCC considers beneficiaries² of Projects and Activities to be those people who experience better standards of living as a result of the Project or Activity (as the case may be) through higher real incomes. For this Compact:

- Beneficiaries for the Secondary Education Activity are defined as all graduates of Activity-supported secondary schools and their families, every year until year 20;
- Beneficiaries for the Workforce Development Activity are defined as all graduates of Activity-supported vocational training centers and their families, every year until year 20;
- Beneficiaries for the Industrial Land Activity are defined as all employees, existing or potential, of firms located in the targeted industrial zones, and all members of their immediate families; and
- Beneficiaries of the Rural Land Activity are defined as owners, and all members of their immediate families, of converted collective land who gain a title as a result of the Activity, make investments to adopt technological practices similar to that of farmers of privately-owned land, and consequently experience an increase in land-related income.

The expected economic rates of return and beneficiaries of this Compact are shown in Table 2.1.

Table 2.1: Estimated Economic Rates of Return and Beneficiaries

| Project/Activity | Economic Rate of Return (ERR) | Estimated Beneficiaries (long term – year 20) |
|---|-------------------------------|---|
| Education and Training for Employability Project | | |
| Secondary Education Activity | 12.4%-15.1% | 1,744,100 |
| Workforce Development Activity | 13.2% | 275,000 |
| Land Productivity Project | | |
| Industrial Land Activity | 13.4%-16.7% | 96,300 |
| Land Governance Activity | N/A | N/A |
| Rural Land Activity | 23.0% | 81,500 |

² As used in this Compact, the term “beneficiary” has the meaning described in MCC’s *Guidelines for Economic and Beneficiary Analysis*.

(c) Risks and Assumptions.

The M&E Plan will also outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the program logic. However, such assumptions and risks will not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party.

3. Monitoring Component.

As defined in the MCC M&E Policy, monitoring is the continuous, systematic collection of data on specified indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan will identify (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC. It should be noted that some Indicators will continue to be tracked after the Compact Term as necessary.

3.1 Indicators

The M&E Plan will measure the results of the Program using quantitative, objective, and reliable data ("*Indicators*").

(a) The M&E Plan will establish baselines for every Indicator (each a, "*Baseline*"). An Indicator's Baseline should be established prior to the start of the corresponding Project, Activity and/or sub-Activity. Baselines demonstrate that the problem can be specified in measurable terms, and are thus a pre-requisite for adequate intervention design. The Government will collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

(b) The M&E Plan will establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result will be achieved ("*Target*").

(c) The M&E Plan will indicate which Indicators will be disaggregated by sex, income level, age, and beneficiary types to the extent practical and applicable.

(d) MCC's Common Indicators (as described in the MCC M&E Policy) will also be included as relevant.

(e) Subject to prior written approval from MCC and in accordance with the MCC M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.

(f) MCA-Morocco II must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table (ITT) in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on Indicator reporting is contained in the Reporting Guidelines. In the case that MCA-Morocco II submits a six-month disbursement request, the ITT must still be submitted quarterly.

Key Indicators that can be reported on at least an annual basis will be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track will be tracked for evaluation purposes.

The M&E Plan is expected to contain the monitoring Indicators listed in the following tables:

Table 3.1: Education and Training for Employability Project: Secondary Education Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|--|--|--|--------|----------|----------------|
| Output Indicators | | | | | |
| Further Education | <i>Graduates from Compact-supported Lower Secondary Schools (Collèges)³</i> | <i>The number of students graduating from the highest grade (year) for that educational level in Compact-supported education schooling programs.</i> | Number | 0 | 17,937/year |
| | <i>Graduates from Compact-supported Upper Secondary Schools (Lycées)⁴</i> | <i>The number of students graduating from the highest grade (year) for that educational level in Compact-supported education schooling programs.</i> | Number | 0 | 8,969/year |
| | <i>Students enrolled in schools selected to participate in Compact Activities</i> | <i>The number of students enrolled or participating in Compact-participant schools (lower or upper secondary schools)⁵</i> | Number | 0 | 80,719 |
| School Infrastructure Improvement | <i># of schools with completed physical rehabilitations</i> | <i>The number of educational facilities constructed or rehabilitated according to standards stipulated in MCA contracts signed with implementers</i> | Number | 0 | 90 |
| Effective School Leadership and Management | <i># of schools with approved School Improvement Plans</i> | <i>The number of individual School Improvement Plans approved for implementation, as defined in relevant implementing entity agreements</i> | Number | 0 | 90 |

³ Final target in the M&E Plan will be drawn from Ministry of National Education and Vocational Training data on student cohorts and an agreed Project workplan. This target will only count students who complete a full, three-year cycle after initiation of school participation in the Employability Project. Final indicator and corresponding targets in the M&E Plan will be modified to apply to all selected schools, upon completion of regional selection and school selection.

⁴ *Ibid.*

⁵ Those upper secondary students already who attended a Compact-supported lower secondary school will imply a corresponding reduction in Compact year 5 and Compact year 10 targets.

Table 3.1: Education and Training for Employability Project: Secondary Education Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|---|--|--|--------|----------|----------------|
| | <i>School administrators trained</i> | <i>The number of school administrators who complete Compact-supported training focused on supporting teachers in implementing improved management techniques</i> | Number | 0 | TBD |
| Improved Teachers, Teaching Methods | <i>Teachers trained in pedagogical innovation</i> | <i>The number of science, math, language, and ICT teachers who complete Compact-supported training focused on instructional quality as defined by the Secondary Education Activity</i> | Number | 0 | TBD |
| Private Sector Investment | <i>Number of partnerships</i> | <i>Number of partnerships with the private sector in Compact-participant secondary schools</i> | Number | 0 | TBD |
| Improved Data and Policy Feedback Loops | <i>National learning assessments</i> | <i>Date on which full national assessments reporting cycle is completed</i> | Date | N/A | TBD |
| | <i>International learning assessments</i> | <i>Date on which full PISA reporting cycle is completed</i> | Date | N/A | TBD |
| | <i>Educational Management Information System (EMIS) improvements</i> | <i>Date on which improvements to EMIS system are completed as described in the corresponding implementing entity agreement</i> | Date | N/A | TBD |

Table 3.2: Education and Training for Employability Project: Workforce Development Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|---|---|---|--------|----------|----------------|
| Output Indicators | | | | | |
| Acquisition of Private Sector-relevant Skills | <i>Graduates from Compact-supported TVET centers</i> | <i>The number of students receiving a formal completion/graduation certificate in Compact-supported education schooling programs.</i> | Number | 0 | 3,300/year |
| Programs which Respond and Adapt to Private Sector Demand | <i>Existing TVET centers transformed to more Private Sector-linked models</i> | <i>The number of Compact-supported TVET centers which are operational and have officially enrolled students in classes</i> | Number | 0 | TBD |
| | <i>New PPP TVET Centers</i> | <i>The number of new, Compact-supported TVET centers which</i> | Number | 0 | TBD |

Table 3.2: Education and Training for Employability Project: Workforce Development Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|--------|-----------|---|------|----------|----------------|
| | | <i>are operational and have officially enrolled students in classes</i> | | | |

Table 3.3 Land Productivity Project: Rural Land Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|--|--|--|--------|----------|----------------|
| Output Indicators | | | | | |
| Greater Productivity of Formerly Collective Rural Land | <i>Land rights formalized (households)</i> | <i>The number of households receiving private ownership rights through registered titles</i> | Number | 0 | N/A |
| | <i>Land rights formalized (hectares)</i> | <i>The number of hectares converted to private ownership⁶</i> | Number | 0 | 46,000 |

Table 3.4 Land Productivity Project: Land Governance Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|--|---|---|------|----------|----------------|
| Output Indicators | | | | | |
| More Strategic Coordination and Reform for Land Productivity | <i>Development and adoption of a national land strategy</i> | <i>Date on which a national land strategy is formally adopted by the Government</i> | Date | N/A | TBD |

Table 3.5 Land Productivity Project: Industrial Land Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|---------------------------|---|---|------------|----------|----------------|
| Output Indicators | | | | | |
| Private Sector Investment | <i>Amount of financing leveraged through PPPs</i> | <i>Total non-MCC, non-Government financing invested in industrial zone PPPs</i> | US Dollars | TBD | TBD |
| | <i>USD invested in Activity parks</i> | <i>TBD</i> | US Dollars | TBD | TBD |

⁶ This indicator will measure hectares under the private ownership of individuals rather than an alternative status known as "private ownership by a collective."

Table 3.5 Land Productivity Project: Industrial Land Activity Monitoring Indicators

| Result | Indicator | Definition | Unit | Baseline | Compact Target |
|---|--|--|--------|----------|---------------------------------|
| Higher Rates of Industrial Land Occupancy/ Utilization | <i>Unutilized land recuperated in existing zones</i> | <i>Number of hectares of land unutilized at baseline which are recuperated into existing zones</i> | Number | TBD | TBD |
| Greater Supply of Market-driven Industrial Land | <i>Number of industrial parks developed</i> | <i>Industrial parks developed utilizing a market-driven approach⁷</i> | Number | N/A | TBD |
| | <i>Industrial land developed</i> | <i>Hectares of industrial land developed utilizing a market-driven approach</i> | Number | N/A | TBD |
| Process Indicators | | | | | |
| Capacity Building for Industrial Land Strategy and Implementation | <i>Official creation of the CEILD</i> | <i>Date on which the CEILD is created</i> | Date | N/A | Entry into Force of the Compact |
| Capacity Building for Industrial Land Strategy and Implementation | <i>Agreement on plan for sustainability of CEILD</i> | <i>Date on which the Parties agree on a plan for sustainability of CEILD</i> | Date | N/A | TBD |

4. Evaluation Component.

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the MCC M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness. The Evaluation Component of the M&E Plan may contain three types of evaluation activities as necessary: (i) independent evaluations (impact and/or performance evaluations); (ii) self-evaluation, and (iii) special studies, each of which is further described in the MCC M&E Policy.

(a) **Independent Evaluations.** Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the MCC M&E Policy. The Evaluation Component of the M&E Plan will describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator, the engagement will be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and ensure non-biased results and the publication of results.

⁷ As described in Annex I.

For each independent evaluation, MCA-Morocco II is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim/final reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate.

(i) Education and Training for Employability Project.

(A) Secondary Education Activity. This Activity is expected to receive an independent impact evaluation in which outcomes of this Activity will be rigorously assessed and attributed to Compact investments in secondary education. MCC and MCA-Morocco II have developed plans to employ a randomized control trial evaluation to assess the impact of this Activity. Schools participating in the Activity will be chosen at random from a set of eligible schools. The random assignment of schools in the treatment group (those who will participate in the program) and the control group (those who do not participate during the evaluation period) allows for rigorous attribution of school-level impacts as a result of Compact investments.

To ensure the validity of the evaluation methodology, between the time of random selection and the conclusion of data collection (two to three years after the end of the Compact), the Ministry of National Education and Vocational Training will ensure that:

- No school designated as a “control” school in the context of the impact evaluation will receive funding and/or technical assistance on the part of the Government or donors beyond those necessary for continued operations related to the management, pedagogy and infrastructure of schools (i.e. “business as usual”);
- Schools designated as “control” will neither be systematically targeted nor systematically precluded from other Government activities, funding, or support; and
- Schools selected as beneficiaries of the Secondary Education Activity will be neither systematically targeted nor systematically precluded from other Government activities, funding, or support.

In addition to rigorous impact evaluation methods, the Secondary Education Activity is expected to employ quantitative methods and school-level case studies to assess the results of Compact investments.

The M&E Plan will contain the evaluation Indicators listed in the following tables:

Table 4.1: Education and Training for Employability Project: Secondary Education Activity Evaluation Indicators

| Result | Indicator | Definition | Unit | Baseline | Target | Target Date |
|---------------------------|---------------------------|--|--------|----------|----------------|-------------|
| Outcome Indicators | | | | | | |
| More Employable Workforce | Student learning outcomes | <i>Specific evaluation strategies will be employed to track improvements in student learning outcomes on the PNEA (National Assessments) and other relevant learning</i> | Number | TBD | .2 SD increase | Year 10 |

Table 4.1: Education and Training for Employability Project: Secondary Education Activity
Evaluation Indicators

| Result | Indicator | Definition | Unit | Baseline | Target | Target Date |
|--|--|---|------------|----------|-------------|-------------|
| | | <i>assessments, including measures of soft skills</i> | | | | |
| Greater Employment | <i>Percentage of high school graduates who enter tertiary studies</i> | <i>The number of 12th grade students who are placed in a tertiary program divided by the number of 12th grade students who take the 12th grade exit exam</i> | Percentage | N/A | N/A | N/A |
| | <i>Average length of unemployment after graduation</i> | <i>Measure of the time, on average, it takes graduates of secondary school to find full-time employment (among those who do not pursue tertiary education)</i> | Number | TBD | TBD | TBD |
| Further Education | <i>Transition rate from 9th to 10th grade (Tanger-Tetouan)</i> | <i>The number of students who enter 10th grade divided by number of students who completed 9th grade</i> | Percentage | TBD | 5% increase | TBD |
| | <i>Percentage of 10th grade entrants who graduate from 12th grade (Tanger-Tetouan)</i> | <i>The number of 12th grade students who take and pass the 11th-12th grade exit examinations in math and science, divided by the number of 10th grade entrants in same cohort</i> | Percentage | TBD | 5% increase | TBD |
| | <i>Time spent studying in and out of school</i> | <i>Observation-based and/or self-reported measurements of time on task in the classroom and time spent on schoolwork outside the classroom.</i> | Number | TBD | N/A | N/A |
| Better Management of Financial and Infrastructure Assets | <i>Improved maintenance practices</i> | <i>Evaluation of the degree to which Compact-funded secondary schools implement more cost-effective maintenance practices</i> | Number | TBD | TBD | TBD |

(B) Workforce Development Activity. Specific evaluation plans for this Activity are expected to be developed prior to entry into force of the Compact, though initial evaluation questions and expected results are listed below for reference.

Rigorous impact evaluation methods are not expected to be feasible due to limited student numbers in given grantee programs and a lack of a rigorous comparison group for any of the Activity's other components. Quantitative analysis of grantee and student results (e.g., tracer studies) and qualitative analysis of policy and program improvements will form the core of the Activity's evaluation strategy. *Note on Results-based Financing*: Any results-based financing efforts as part

of the Activity will be subject to rigorous measurement of program results. Rigorous impact evaluations are considered a priority to eliminate any subjectivity from the measurement of the results on which financing would be disbursed, though an ultimate determination of impact evaluation feasibility will be made between MCC and MCA-Morocco II.

The M&E Plan will contain the evaluation Indicators listed in the following tables:

**Table 4.2: Education and Training for Employability Project: Workforce Development Activity
Evaluation Indicators**

| Result | Indicator | Definition | Unit | Baseline | Target | Target Date |
|------------------------------------|---|--|------------|----------|----------------|-------------|
| Outcome Indicators | | | | | | |
| Greater Employment | <i>Employment rate of graduates of Compact-supported programs</i> | <i>Average post-graduation employment rate of graduates of Compact-supported grantee programs with respect to comparable TVET institutions (one year after graduation)</i> | Percentage | 54.4 | 69.4 | TBD |
| | <i>Employment rate of graduates of Compact-supported programs (female)</i> | <i>Average post-graduation employment rate of female graduates of Compact-supported grantee programs with respect to comparable TVET institutions (one year after graduation)</i> | Percentage | TBD | TBD | TBD |
| | <i>Results-based financing mechanisms for improved employment outcomes</i> | <i>The number of results-based financing mechanisms which target improved labor market outcomes for disadvantaged groups, such as at-risk, unemployed youth or unemployed or economically inactive women</i> | Number | TBD | TBD | TBD |
| Individual Productivity (Earnings) | <i>Wage differential of graduates of Compact-supported grantee programs</i> | <i>Average wage premium of graduates of Compact-supported grantee programs compared to average wage of students graduating from a comparable public institution (one year after graduation)</i> | Percentage | 0 | 29.7% increase | Year 5 |

(ii) Land Productivity Project.

(A) Land Governance Activity. Specific evaluation plans for this Activity are expected to be developed prior to entry into force of the Compact, though initial evaluation questions and expected results are listed below for reference.

Independent evaluation of this Activity will largely focus on process evaluation and political economy analyses which assess the degree of success of governance reforms/improvements, and the explanations for the observed results.

The M&E Plan will contain the evaluation Indicators listed in the following tables:

| Table 4.3: Land Productivity Project: Land Governance Activity Evaluation Indicators | | | | | | |
|--|-------------------------------------|------------|------|----------|--------|-------------|
| Result | Indicator | Definition | Unit | Baseline | Target | Target Date |
| Outcome Indicators | | | | | | |
| More Strategic Coordination and Reform for Land Productivity | <i>Land-related reforms adopted</i> | <i>TBD</i> | TBD | TBD | TBD | TBD |

(B) Rural Land Activity. Specific evaluation plans for this Activity are expected to be developed prior to entry into force of the Compact.

Rigorous impact evaluation methods are not expected to be feasible, as the Government has already targeted specific sites for Rural Land Activity interventions. Quasi-experimental matching of non-targeted perimeters to selected perimeters may be feasible, though data availability may reduce the utility of such an approach, in which case a quantitative performance evaluation will be undertaken, including qualitative studies at the level of relevant rural collectives.

The M&E Plan will contain the evaluation Indicators listed in the following tables:

| Table 4.4: Land Productivity Project: Rural Land Activity Evaluation Indicators | | | | | | |
|---|--|--|------------|------------------|---------------------------|-------------|
| Result | Indicator | Definition | Unit | Baseline | Target | Target Date |
| Outcome Indicators | | | | | | |
| Greater Productivity of Formerly- | <i>Increase in investment in targeted rural land</i> | <i>Increase in farm-related investment per hectare</i> | Percentage | TBD ⁸ | 21% increase ⁹ | Year 10 |

⁸ Baseline value is expected to be established by quarter 2 of Compact year 2.

⁹ No change is expected as of Compact year 5, as changes in investment are expected to occur after the Compact Term. Target for Compact year 10 is drawn from 2015 economic modelling survey.

Table 4.4: Land Productivity Project: Rural Land Activity Evaluation Indicators

| Result | Indicator | Definition | Unit | Baseline | Target | Target Date |
|-----------------------|---|--|------------|-------------------|-----------------------------|-------------|
| collective Rural Land | <i>Increase in agricultural productivity in targeted rural land</i> | <i>Change in returns to land (e.g. crop and livestock production) as a result of Compact investments</i> | Percentage | TBD ¹⁰ | 145% increase ¹¹ | Year 10 |

(C) Industrial Land Activity. Specific evaluation plans for this Activity are expected to be developed prior to entry into force of the Compact.

Rigorous impact evaluation methods are not expected to be feasible due to the limited number of sites targeted by the Activity and the inability to construct an adequate comparison to specific industrial zones. Quantitative and qualitative performance evaluation using baseline and end-line characteristics of the selected sites/partners/firms will be the evaluation strategy applied to this Activity.

Table 4.5: Land Productivity Project: Industrial Land Activity Evaluation Indicators

| Result | Indicator | Definition | Unit | Baseline | Target | Target Date |
|---------------------------|--|---|------------|----------|--------|-------------|
| Outcome Indicators | | | | | | |
| Increased Productivity | <i>Utilization rates within Compact-supported industrial zones</i> | <i>Percentage of hectares in Compact-supported zones, which visibly demonstrate economic activity (Active Ha/Total Ha)</i> | Percentage | 0 | 80 | Year 12 |
| Greater Employment | <i>Jobs in Compact-supported industrial zones¹²</i> | <i>Number of jobs in enterprises in Compact zones, measured as the number of full-time employees in addition to the number of employees at the time of installation/rehabilitation in the zone.</i> | Number | TBD | TBD | TBD |

(b) Self-Evaluation. Upon completion of the Compact Term, both MCC and MCA-Morocco II will comprehensively assess three fundamental questions: (i) Did the Program meet the Project Objectives; (ii) Why did the Program meet or not meet the Project Objectives; and (iii) What lessons can be learned from the implementation experience (both procedural and substantive). The MCA-Morocco II staff will draft the Compact completion report in the last year of the Compact Term to evaluate these fundamental questions and other aspects of Program

¹⁰ Baseline value is expected to be established in Compact year 2.

¹¹ No change is expected as of Compact year 5, as changes in investment are expected to occur after the Compact Term. Target for Compact year 10 is drawn from 2015 economic modelling survey.

¹² While increases in jobs will not be fully attributed to Project interventions, tracking growth in employment is meant as a partial proxy of the general health of firms located in Activity-supported zones.

performance. Each MCA-Morocco II department will be responsible for drafting its own section to the Compact completion report for its own activities, subject to cross-departmental review.

(c) **Special Studies.** Plans for conducting special studies will be determined jointly between the Government and MCC before the approval of the M&E Plan. The M&E Plan will identify and make provision for any special studies, *ad hoc* evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or the Government may request special studies or *ad hoc* evaluations of Projects, Activities, or the Program as a whole, prior to the end of the Compact.

The results of all evaluations will be made publicly available in accordance with the MCC M&E Policy.

5. Data Quality Reviews.

Data Quality Reviews (DQRs) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: (a) quality of data, (b) data collection instruments, (c) survey sampling methodology, (d) data collection procedures, (e) data entry, storage and retrieval processes, (f) data manipulation and analyses, and (g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the Program or Project in review. The frequency and timing of data quality reviews must be set forth in the M&E Plan; however MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

6. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the M&E Plan will include the following components:

(a) **Management Information System.** The M&E Plan will describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is at all times accessible and useful to those who wish to use it. The system development will take into consideration the requirement and data needs of the components of the Program, and will be aligned with existing MCC systems, other service providers, and ministries.

(b) **Budget.** A detailed cost estimate for all components of the M&E Plan.

7. Responsibility for Developing the M&E Plan.

Primary responsibility for developing the M&E Plan lies with the monitoring and evaluation directorate of MCA-Morocco II with support and input from MCC's monitoring and evaluation and economic analysis staff. The M&E Plan must be developed in conjunction with key

stakeholders, including MCA-Morocco II leadership and sector leads, the MCC resident country mission, other MCC staff, and external stakeholders, as applicable.

8. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as amended from time to time, will be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC M&E Policy. All M&E Plan modifications proposed by MCA-Morocco II must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

9. Post Compact M&E Plan.

As part of the planning process for Compact closure, MCC and MCA-Morocco II will develop a post-Compact M&E Plan designed to observe the persistence of benefits created under this Compact. This plan should describe future monitoring and evaluation activities, identify the individuals and organizations that will undertake these activities, and provide a budget framework for future monitoring and evaluation. The post-Compact M&E Plan should build directly off of the Compact M&E Plan.

ANNEX IV
CONDITIONS PRECEDENT
TO DISBURSEMENT OF COMPACT IMPLEMENTATION FUNDING

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Implementation Funding (each a “*CIF Disbursement*”). Upon execution of the Program Implementation Agreement, each CIF Disbursement will be subject to all of the terms of the Program Implementation Agreement, except that the conditions to each CIF Disbursement will continue to be those set forth in this Annex IV.

1. Conditions Precedent to Initial CIF Disbursement.

Each of the following must have occurred or been satisfied prior to the initial CIF Disbursement:

- (a) The Government (or MCA-Morocco II) has delivered to MCC:
 - (i) an interim fiscal accountability plan acceptable to MCC; and
 - (ii) a CIF procurement plan acceptable to MCC.
- (b) The Government will have enacted such regulations as necessary to implement Section 2.8 of this Compact.
- (c) The Government intends to develop the Land Strategy and implementation roadmap through a high-level, inclusive and participatory dialogue process, beginning with an *assises*. The Government will provide a letter to MCC’s satisfaction describing how the process will be led and supervised. The letter will also summarize the measures referred to in Section 8.1(b)(iii) and the time by when such measures will be implemented.

2. Conditions Precedent to all CIF Disbursements (Including Initial CIF Disbursement).

Each of the following must have occurred or been satisfied prior to each CIF Disbursement:

- (a) The Government (or MCA-Morocco II) has delivered to MCC the following documents, in form and substance satisfactory to MCC:
 - (i) a completed Disbursement Request, together with the applicable periodic reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;
 - (ii) a certificate of the Government (or MCA-Morocco II), dated as of the date of the CIF Disbursement Request, in such form as provided by MCC;
 - (iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and
 - (iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.

(b) If any proceeds of the CIF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.

(c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the Fiscal Agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the Procurement Agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that (i) the activities being funded with such CIF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and will not violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Morocco II or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested will not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any CIF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that (1) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Morocco II) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (2) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such CIF Disbursement; (3) there has been progress satisfactory to MCC on the M&E Plan and the Social and Gender Integration Plan (as will be defined in the PIA) for the Program or relevant Project or Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (4) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require); (5) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Morocco II have been removed or resigned and the position remains vacant, MCA-Morocco II is actively engaged in recruiting a replacement.

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

ANNEX V DEFINITIONS

Activity has the meaning provided in Part B of Annex I.

Additional Representative has the meaning provided in Section 4.2.

Audit Guidelines has the meaning provided in Section 3.8(a).

Baseline has the meaning provided in paragraph 3.1(a) of Annex III.

Board of Directors has the meaning provided in paragraph (1)(a) of Part C of Annex I.

CEILD has the meaning provided in paragraph (2)(a)(iii)(A) of Part B of Annex I.

CEILD Study has the meaning provided in paragraph (2)(a)(iii)(A) of Part B of Annex I.

CIF Disbursement has the meaning provided in the preamble to Annex IV.

Compact has the meaning provided in the Preamble.

Compact Goal has the meaning provided in Section 1.1.

Compact Implementation Funding has the meaning provided in Section 2.2(a).

Compact Records has the meaning provided in Section 3.7(a).

Compact Term has the meaning provided in Section 7.4.

Covered Provider has the meaning provided in the Audit Guidelines.

Disbursement has the meaning provided in Section 2.4.

Employability Project has the meaning provided in paragraph (1)(a) of Part B of Annex I.

Employability Project Objective has the meaning provided in Section 1.2(a)

ESIA has the meaning provided in paragraph (1)(c) of Part B of Annex I.

ESMS has the meaning provided in paragraph (1)(c) of Part B of Annex I.

Evaluation Component has the meaning provided in paragraph 1 of Annex III.

Excess CIF Amount has the meaning provided in Section 2.2(d).

Fiscal Agent has the meaning provided in paragraph (3) of Part C of Annex I.

Government has the meaning provided in the Preamble.

Grant has the meaning provided in Section 3.6(b).

IFC Performance Standards means the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation as such may be in force from time to time.

Implementation Letters has the meaning provided in Section 3.5.

Implementing Entity has the meaning provided in paragraph (2) of Part C of Annex I.

Implementing Entity Agreement has the meaning provided in paragraph (2) of Part C of Annex I.

Indicators has the meaning provided in paragraph 3.1 of Annex III.

Integrated School Improvement Model has the meaning provided in Part B(1)(a)(i) of Annex I.

Internal Regulations has the meaning provided in paragraph (1)(a) of Part C of Annex I.

Inspector General has the meaning provided in Section 3.7(c).

Intellectual Property means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.

Labor Market Observatory has the meaning provided in paragraph (1)(a)(ii) of Part B of Annex I.

Land Coordination Mechanism has the meaning provided in paragraph (2)(a)(i)(B) of Part B of Annex I.

Land Project has the meaning provided in paragraph (2)(a) of Part B of Annex I.

Land Project Objective has the meaning provided in Section 1.2(b).

Land Strategy has the meaning provided in in paragraph (2)(a)(i)(A) of Part B of Annex I.

M&E Plan has the meaning provided in the first paragraph of Annex III.

Management Unit has the meaning provided in paragraph (1)(a) of Part C of Annex I.

MCA Act has the meaning provided in Section 2.2(a).

MCA-Morocco II has the meaning provided in Section 3.2(b).

MCC has the meaning provided in the Preamble.

MCC Environmental Guidelines has the meaning provided in Section 2.7(c).

MCC Funding has the meaning provided in Section 2.3.

MCC Gender Policy means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

MCC M&E Policy has the meaning provided in the first paragraph of Annex III.

MCC Program Closure Guidelines means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).

MCC Program Procurement Guidelines has the meaning provided in Section 3.6(a).

MCC Website means the MCC website at www.mcc.gov.

Monitoring Component has the meaning provided in paragraph 1 of Annex III.

Morocco has the meaning provided in the Preamble.

Multi-Year Financial Plan Summary has the meaning provided in Part A of Annex II.

O&M has the meaning provided in Section 8.1(a)(i).

Party and Parties have the meaning provided in the Preamble.

Permitted Account has the meaning provided in Section 2.4.

PPPs has the meaning provided in paragraph (1)(a)(ii)(A) of Part B of Annex I.

Principal Representative has the meaning provided in Section 4.2.

Procurement Agent has the meaning provided in paragraph (4) of Part C of Annex I.

Program has the meaning provided in the recitals to this Compact.

Program Assets means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

Program Funding has the meaning provided in Section 2.1.

Program Guidelines means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Guidelines for Accountable Entities and Implementation Structures, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation, the MCC Program Closure Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines, the MCC Guidelines for Economic and Beneficiary Analysis, the MCC Standards for Global Marking, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.

Program Implementation Agreement and PIA have the meaning provided in Section 3.1.

Project(s) has the meaning provided in Section 1.2.

Project Objective(s) has the meaning provided in Section 1.2.

Provider means (i) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term.

Reporting Guidelines means the MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package.

School Improvement Plans has the meaning provided in paragraph (1)(a)(i)(A) of Part B of Annex I.

Social Impact Bond means, in summary, a contract signed among the Government, a social investor, and a service provider, where payments are based on achieving defined outcomes.

Stakeholders Committee has the meaning provided in paragraph (1)(d)(i) of Part C of Annex I.

Supplemental Agreement means any agreement between (A) the Government (or any Government affiliate, including MCA-Morocco II) and MCC (including, but not limited to, the PIA), or (B) MCC and/or the Government (or any Government affiliate, including MCA-Morocco II), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

Target has the meaning provided in paragraph 3.1(b) of Annex III.

Taxes has the meaning provided in Section 2.8(a).

TVET has the meaning provided in paragraph 1(a)(ii) of Part B of Annex I.

United States Dollars or USD or US\$ means the lawful currency of the United States of America.

USAID has the meaning provided in paragraph (1)(f) of Part B of Annex I.